SaskTel

Financial Statements of

SECURTEK MONITORING SOLUTIONS INC.

December 31, 2003

President's Message

SecurTek Monitoring Solutions Inc. (SecurTek) is an incorporated wholly owned subsidiary of Saskatchewan Telecommunications Holding Corporation (SaskTel). SecurTek grew out of SaskTel's call centre and process expertise and was formally launched as a service available to Saskatchewan customers in May 1999. SecurTek provides security and emergency alarm monitoring and notification services to serve almost 60,000 residential and commercial customers across Western Canada and selectively in Ontario.

SecurTek allies with small businesses that provide the customer contact, sales, customer user training and installation of alarm systems for the customer. These small businesses also provide ongoing customer service, including repairs to damaged equipment, installing additional equipment as required, and assisting the customer with using their alarm system.

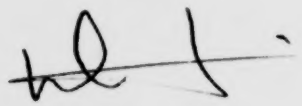
SecurTek is headquartered in Yorkton, Saskatchewan. Ending 2003, we employed 77 people in Yorkton and paid more than $2 million in annual salaries and wages to employees at the Yorkton facility. In addition, Saskatchewan-wide employment by SecurTek's 14 Saskatchewan based small business partners has increased as a result of this successful partnership providing further economic benefits to the Province.

Revenues for 2003 exceeded $14 million, with almost three quarters of revenues being generated outside the province. Year over year this was a 28 percent increase in revenue, continuing a trend since inception of significant growth. Since 2000, SecurTek's first full year of operations, revenue has increased by more than 700 percent.

Turning profitable for the first time in 2002 was a milestone for SecurTek. In 2003, our profit increased from $3 thousand to $286 thousand. Further, earnings before income taxes, depreciation, and amortization (EBITDA) now represents 42.2 percent of total revenues, a margin increase of 2.2 percent year over year.

There were several organizational changes at SecurTek through the year including the hiring of a new President and Chief Executive Officer in February and the reassignment of portfolios of two of the three General Managers. We established a department of human resources in the spring and initiated a corporate wide process improvement program with dedicated staff in the fall. Through 2003, SecurTek has become a much stronger, stable, and more independent company with its own culture, philosophy, and business practices.

I would like to thank our dedicated employees and management team, the board of directors, SaskTel, and our authorized dealers for their efforts through the year. It's through the combined efforts of all of our stakeholders that we are able to provide a superior level of service to our customers and continue to achieve consistent financial growth.



Doug Irwin, President and CEO, SecurTek Monitoring Solutions

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of financial position of SecurTek Monitoring Solutions Inc. as at December 31, 2003 and the statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
January 16, 2004

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative.

STATEMENT OF OPERATIONS

Year ended December 31 (Thousands of dollars)	**2003**	2002
Operating revenues	**$ 14,351**	$ 11,189
Operating expenses		
Operating expenses	**8,383**	6,720
Depreciation and amortization	**5,076**	4,017
	13,459	10,737
Income from operations	**892**	452
Interest expense	**606**	449
Net income	**$ 286**	$ 3

STATEMENT OF DEFICIT

Year ended December 31 (Thousands of dollars)	**2003**	2002
Deficit, beginning of year	**$ (4,113)**	$ (4,116)
Net income	**286**	3
Deficit, end of year	**$ (3,827)**	$ (4,113)

See Accompanying Notes

STATEMENT OF FINANCIAL POSITION

As at December 31 (Thousands of dollars)	**2003**	2002
Assets		
Current assets		
Cash	**$ 1,159**	$ 596
Accounts receivable	**1,618**	1,418
Note Receivable – Holdco	**-**	2,045
Prepaid expenses	**96**	145
	2,873	4,204
Property, plant and equipment (Note 4)	**2,898**	3,078
Customer accounts (Note 5)	**29,919**	26,605
Deferred development costs (Note 6)	**200**	373
	$ 35,890	$ 34,260
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 962**	$ 734
Deferred revenue	**1,288**	1,094
	2,250	1,828
Obligations under capital leases	**-**	14
Long-term debt (Note 7)	**19,334**	18,848
	21,584	20,690
Shareholder's equity		
Share capital and contributed surplus (Note 8)	**18,133**	17,683
Deficit	**(3,827)**	(4,113)
	14,306	13,570
	$ 35,890	$ 34,260

See Accompanying Notes

On behalf of the board

Diana Milenkovic **Dan Baldwin**

STATEMENT OF CASH FLOWS
Year ended December 31 **2003** 2002
(Thousands of dollars)

Cash provided by (used in):		
Operating activities		
Net income	**$ 286**	$ 3
Items not affecting cash from operations (Note 9)	**5,076**	4,017
Net change in non-cash working capital items (Note 10)	**2,316**	(2,295)
	7,678	1,725
Financing activities		
Repayment of obligations under capital leases	**(14)**	(13)
Saskatchewan Telecommunications Holding Corporation (Note 7)	**486**	5,035
Contributed surplus (Note 8)	**450**	4,676
	922	9,698
Investing activities		
Property, plant and equipment expenditures	**(1,281)**	(1,152)
Customer accounts	**(3,439)**	(6,803)
Business acquisitions (Note 3)	**(3,317)**	(3,535)
	(8,037)	(11,490)
Increase (decrease) in cash	**563**	(67)
Cash, beginning of year	**596**	663
Cash, end of year	**$ 1,159**	$ 596

See Accompanying Notes

NOTES TO FINANCIAL STATEMENTS

Note 1 -- The Corporation

SecurTek Monitoring Solutions Inc. (the Corporation) is incorporated under the laws of the Province of Saskatchewan and is a wholly owned subsidiary of Saskatchewan Telecommunications Holding Corporation (Holdco) providing real time monitoring solutions in select markets in Canada.

On December 12, 2003, the Corporation amalgamated with its subsidiaries and continued under the name SecurTek Monitoring Solutions Inc. Prior to the amalgamation, the operations of the previously wholly owned subsidiaries were consolidated.

The financial results of the Corporation are included in the consolidated financial statements of Holdco. As a wholly owned subsidiary of Holdco, a Saskatchewan Provincial Crown corporation, the Corporation is not subject to Federal or Provincial income taxes in Canada.

Note 2 -- Summary of significant accounting policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Revenue recognition
Revenues from the monitoring of alarm systems are recognized when services are performed. Installation revenue is recognized in the month in which the systems are installed.

Property plant and equipment
Property plant and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the useful life of the asset.

Customer accounts
Customer accounts acquired individually or with a group of other assets are initially recognized and measured at cost. The cost of internally developed customer accounts includes direct development costs and overhead directly attributable to the development activity. Customer accounts are amortized using the straight line method over their useful lives. The Corporation annually reviews the amortization method and useful lives of the customer accounts.

Deferred development costs
Business development costs that were incurred during the start-up phase are deferred and amortized.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Note 3 -- Business acquisitions

During 2003 SecurTek Monitoring Solutions Inc. acquired 100% of the issued shares of a corporation providing security services in Ontario. The total purchase price was $3.3 million, the full amount of which was assigned to customer contracts.

In the prior year, the Corporation acquired customer monitoring accounts for a total consideration of $3.5 million.

NOTES TO FINANCIAL STATEMENTS

Note 4 -- Property, plant and equipment

Asset	Useful life
Plant and equipment	3 to 5 years
Office furniture, equipment and leaseholds	4 to 5 years

	Cost	Accumulated depreciation and amortization	Net book value	
			2003	2002
			(Thousands of dollars)	
Plant and equipment	**$ 6,353**	**$ 3,510**	**$ 2,843**	$ 2,929
Office furniture, equipment and leaseholds	**485**	**430**	**55**	149
	$ 6,838	**$ 3,940**	**$ 2,898**	$ 3,078

Depreciation and amortization for the year totaled $1,460,189 (2002 - $1,228,406).

Note 5 -- Customer accounts

The cost of customer accounts is being amortized over their estimated useful life of 10 to 12.5 years. Amortization of this definite life intangible asset during the year totaled $3,443,265 (2002 - $2,644,839).

	2003	2002
	(Thousands of dollars)	
Customer accounts	**$ 38,237**	$ 31,480
Less accumulated amortization	**8,318**	4,875
	$ 29,919	$ 26,605

Note 6 -- Deferred development costs

The cost of business development costs are amortized over five years. Amortization during the year totaled $172,996 (2002 – $143,456).

	2003	2002
	(Thousands of dollars)	
Deferred development costs	**$ 865**	$ 865
Less accumulated amortization	**665**	492
	$ 200	$ 373

Note 7 -- Long-term debt

Amounts due to Holdco bear interest at the Province of Saskatchewan ninety-day borrowing rate with no fixed repayment terms. The effective average interest rate for the year was 2.90% (2002 – 2.73%).

Note 8 -- Share capital and contributed surplus

	2003	2002
	(Thousands of dollars)	
Share capital		
Authorized - unlimited number of class A common shares		
Issued – 6,150,000 shares	**$ 6,150**	$ 6,150
Contributed surplus	**11,983**	11,533
	$ 18,133	$ 17,683

During the year, the Corporation received $450,000 (2002 - $4,676,000) from Holdco, which was credited to contributed surplus.

Note 9 -- Items not affecting cash from operations

	2003	2002
	(Thousands of dollars)	
Depreciation and amortization	**$ 5,076**	$ 4,017

Note 10 -- Net change in non-cash working capital items

	2003	2002
	(Thousands of dollars)	
Accounts receivable	**$ (200)**	$ (168)
Note receivable – Holdco	**2,045**	(2,045)
Prepaid expenses	**49**	(108)
Accounts payable and accrued liabilities	**228**	(158)
Deferred revenue	**194**	184
	$ 2,316	$ (2,295)

Note 11 -- Financial instruments

Fair value
The carrying amounts of cash, accounts receivable, due from Saskatchewan Telecommunications, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments.

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. The fair value of long term debt approximates its carrying value.

Credit risk
The Corporation has a large and diverse customer base that minimizes the concentration of credit risk.

Note 12 -- Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan (CIC) by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan and Holdco (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. These transactions and amounts outstanding at year-end are as follows:

	2003	2002
	(Thousands of dollars)	
Operating revenues	**$ 49**	$ 19
Operating expenses	**1,637**	1,431
Accounts payable	**67**	56
Accounts receivable	**452**	392

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and terms of settlement are described separately in these financial statements and notes thereto.

Note 13 – Commitments and contingencies

The future minimum lease payments under the operating leases of the Corporation in each of the next five years are as follows:

	(Thousands of dollars)
2004	$ 179
2005	181
2006	181
2007	178
2008	-

In the normal course of operations, the Corporation becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2003 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on the Corporation's financial position or results of operations.

Note 14 – Comparative figures

2002 figures have been reclassified to conform to current year's presentation.